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DOCUMENTS, REPORTS, AND LEGISLATION

Industries and Commerce

REPORT ON TRADE AND TARIFFS IN BRAZIL, URUGUAY, ARGENTINA, CHILE, BOLIVIA, AND PERU (Washington, Federal Trade Commission) contains nearly 250 pages of information gathered, primarily, for the representatives of the United States at the meetings of the International High Commission held at Buenos Aires early in 1916. In assembling the data for this report, the agents of the Federal Trade Commission were mindful of the needs of others who might be interested in the various phases of the trade relations between the United States and South America, so that the volume might serve a much wider use than that for which it originally was intended. After pointing out the advantages long enjoyed by European financial and commercial interests in Latin American countries, due to such factors as tradition, sentiment, and the liberal investment of European capital in railroads, port works, municipal improvements, steamship lines, mining, and other industries, there is discussed the general problem of trade development between the United States and South America. It is pointed out that improvement in present conditions may be effected by the combined efforts of American financial and commercial interests, on the one hand, and governmental activity, on the other. Though the report is well-balanced, the countries which, as might be expected, come in for the most extensive treatment are Brazil, Argentina, and Chile. The information which furnished the basis of the report was collected on the ground by representatives of the Federal Trade Commission who visited the customs houses, studied the routine work of the officials, examined the various papers and documents covering shipments and receipts of goods, etc. Though less extensive and comprehensive than the report of Frank D. Rutter of the Bureau of Foreign and Domestic Commerce on *Tariff Systems of South American Countries* (see AMERICAN ECONOMIC REVIEW, Dec., 1916, p. 952), it covers in part at least the same general ground as the latter.

AVARD L. BISHOP.

Yale University.

Recent publications of the Bureau of Foreign and Domestic Commerce are:

In the Special Agents Series:

No. 121, *Artificial Dyestuffs Used in the United States* (pp. 254), by Thomas H. Norton.

No. 124, *Cotton Goods in British India: Part 1, Madras Presidency* (pp. 50), by Ralph M. Odell.

No. 125, *Markets for Agricultural Implements and Machinery in Argentina* (pp. 86), by Frank H. von Motz.

In the Miscellaneous Series:

No. 39, *Peruvian Markets for American Hardware* (pp. 64), prepared under the supervision of the United States commercial attaché at Lima, Peru.

No. 41, *Markets for American Hardware in Chile and Bolivia* (pp. 190), prepared under the supervision of Verne L. Havens.

No. 42, *Australian Markets for American Hardware* (pp. 105), prepared under the supervision of William C. Downs.

No. 43, *Markets for American Hardware in Argentina, Uruguay, and Paraguay* (pp. 64), prepared under the supervision of Albert Hale.

No. 45, *Exporting to Australia: Practices and Regulations to be Observed by American Shippers* (pp. 29), by Philip B. Kennedy.

No. 47, *Brazilian Markets for American Hardware* (pp. 89), prepared under the supervision of Lincoln Hutchinson.

In the Tariff Series:

No. 35, *Commercial Travelers in Latin America* (pp. 42), by L. Domeratzky.

The *Annual Report of the Chief of the Bureau of Foreign and Domestic Commerce* (Washington, 1916, pp. 97) devotes attention to the prospects for American trade after the restoration of peace. An account is given of trade extension work and the activities of commercial agents abroad; and it is noted that a constant effort is being made to secure persons properly qualified for foreign and domestic commerce appointments.

The *Annual Report of the Federal Trade Commission, 1916* (Washington, 1916, pp. 63) has seven pages devoted to unfair competition and violation of the Clayton act. Particular reference is made to the commission's activity in securing uniform accounting on the part of merchants and manufacturers. For this purpose two experienced accountants and a small staff were engaged during the year. Specific investigations have been undertaken along the following lines: coöperation in the American export trade; trade and tariffs in South America; pipe-line transportation of petroleum; fertilizer industry; gasoline prices; beet-sugar industry; lumber industry; resale price maintenance; trade associations; and Mexican sisal hemp. Preliminary work has also been begun on the anthracite coal, bituminous

coal, and news-print industries. The investigations relating to co-operation in export trade, trade and tariffs in South America, pipe-line transportation, and Mexican sisal hemp were completed.

Pamphlets received from the Federal Trade Commission are: *Fundamentals of a Cost System for Manufacturers* (Washington, July 1, 1916, pp. 31); and *A System of Accounts for Retail Merchants* (July 15, 1916, pp. 19).

The Department of Agriculture, in Bulletin No. 394, presents *A Survey of Typical Coöperative Stores in the United States* (Washington, Nov. 3, 1916, pp. 29) prepared by J. A. Bexell, dean of the School of Commerce of the Oregon Agricultural College, Hector McPherson, of the same institution, and Mr. W. H. Kerr, of the Department of Agriculture.

The Merchants Association of New York has issued a report on the *Webb Bill* urging its immediate passage (New York, 1917, pp. 20).

A pamphlet printed by the National Shawmut Bank on *The Port of Boston* (Boston, 1916, pp. 57) contains a bibliography of six pages on port administration and foreign trade. There are interesting charts designed to show the position of Massachusetts in manufacturing and commercial activity in various lines of industry as compared with other states.

Corporations

THE PROGRESS OF FEDERAL VALUATION. On March 1, 1913, Congress enacted the law directing the Interstate Commerce Commission to investigate, ascertain, and report the value of all property owned or used by every common carrier subject to the provisions of the Interstate Commerce act. The broad requirement of this law has proven to be a stupendous task to both the commission and the railroads. The necessity for concentration of effort and of coöperation between the government and the carriers was manifest from the outset. The Interstate Commerce Commission promptly organized a department of valuation, with former commissioner Charles A. Prouty as director. The railroads also organized a bureau, known as the Presidents' Conference Committee, subdivided into three geographical groups, but with a centralized administration under the secretaryship of Thomas W. Hulme, real estate agent of the Pennsylvania railroad.

Because of the seriousness and the magnitude of the work, progress in outlining definite policies and procedure has been exceeding slow. Many conferences between representatives of the commission and of

the railroads have been held, with the result that standard methods regarding a few matters have been established. But the important fundamental valuation problems have not yet been worked out, notwithstanding that actual engineering appraisals have been under way during three years.

Considerable delay was experienced in organizing and conducting the field work of valuation on a large scale. To accomplish its task, the commission divided the whole country into five districts, each embracing in the neighborhood of 50,000 miles of line. Each district is in charge of an engineer with an entire staff. The government forces in each district are further subdivided into three sections—Engineering, Land, and Accounting—each conducting independent investigations under the centralized organization of the Division of Valuation. At the present time there are about one hundred parties in the field, covering some 2,000 miles of track per month. On January 1, 1917, it was estimated that field surveys have wholly and partially covered approximately 95,000 miles, or not more than a third of the total railroad mileage of the country. It is expected that 50,000 miles of road work will be covered annually and that surveys and inventories of all lines will be completed some time in 1920. Broadly speaking, the commission through its field and office organization is endeavoring to compile the so-called “three cost” figures; *the cost-of-reproduction-new, the cost-of-reproduction-less-depreciation, and original-cost-to-date*. Important and detailed information is also gathered regarding each company’s corporate and financial history.

In addition to data collected by its own forces the commission, through its valuation orders, has required directly from the carriers information on various matters. The character of the information desired may be gathered from the following list of the most important valuation orders issued thus far:

Valuation Order 1 (the so-called “Map Order”), modified and supplemented by Valuation Orders 5 and 6.—Provides specifications for maps and profiles of railroad lines, which govern maps and profiles filed with the commission.

Valuation Order 2, as modified by Order 10.—Requires the filing of schedules of abandoned property, showing original cost, date of abandonment, and disposition and present status of the property.

Valuation Order 3.—Provides that records shall be kept and reports shall be made to the commission as to all extensions, improvements, or other changes in the physical property of every common carrier after June 30, 1914, classified by states, and showing in detail units and quantities of material and labor.

Valuation Order 4.—Requires an annual inventory of material and supplies to be made and kept.

Valuation Order 7.—Requires the filing of schedules of land showing original cost, and classifying as held for carrier purposes or purposes other than those of a common carrier.

Valuation Order 8.—Requires the recording and reporting of a register of equipment (rolling and floating, work and shop and other machinery) showing original cost to date.

Valuation Order 11.—Requires the filing of inventories of corporate records, documents and papers, showing location and custodian.

Valuation Order 12.—Schedules of industrial tracks to be filed.

Valuation Order 13.—Requires the making and filing of schedules and inventories of quantities, units, and classes or kinds of property in roadway or track, bridges, buildings and all other structures, signals, interlockers, telegraph and telephone lines, electrical apparatus, and any and all fixed physical property except lands and equipment.

Valuation Order 14.—Schedules to be filed showing important purchases made and net prices paid by steam railroads for material of a large number of enumerated classes, and also rates of compensation for labor.

Valuation Order 15.—Requires schedules pertaining to privileges given and leases made by steam railroads.

Valuation Order 16.—Requires schedules of all aids, gifts, grants, and donations.

Valuation Order 20.—Requires statements showing the corporate history of the common carrier appraised and of its predecessors, and the chain of title.

For the purpose of considering the unsettled and disputed questions connected with the railroad valuation, the Interstate Commerce Commission has held several formal hearings at which representations of the carrier, of the states, and of the Division of Valuation of the commission participate. Briefs and oral arguments were submitted with reference to questions such as the methods of determining reproduction cost and original-cost-to-date; the determination of depreciation and appreciation, proper methods of land valuation, engineering and other overhead costs and the intangible values ("other elements of value") as designated in the valuation act.

There have been no rulings of the Interstate Commerce Commission itself upon any of the important issues raised in the work of appraisal. However, the work already done by the Division of Valuation in organization, in the field, in pricing, in accounting, and in historical research, though necessarily slow, has covered a wide territory and for its proper fulfillment may soon require rulings as to procedure and policy. The statute requires that when a tentative valuation has been reached notice of the valuation so placed upon the various classes of

property shall be served upon the Attorney General of the United States, the governors of the states in which the property is situated, the carrier itself, and such other parties as the commission may designate. Thirty days are allowed interested parties in which to object to the tentative valuation as fixed by the commission. In view of the fact that tentative valuations of several small railroads have already been reported, and that the legal requirements regarding the filing of notices and protests has been made, the commission cannot very long withhold its decisions upon the controverted questions which have arisen. It is a safe assumption that these questions will probably not be finally determined until after long and extended litigation culminating in the United States Supreme Court.

The first tentative physical valuation report of the Valuation Division of the Interstate Commerce Commission was given out October 23, 1916. It covered the Texas Midland Railroad, known as the Hetty Green road, comprising 111 miles, wholly within the state of Texas. After nearly four years of work with this property it was tentatively determined that reproduction cost was \$3,627,313 and the cost-of-reproduction-less-depreciation was \$2,772,726. The capitalization of the company was stated as \$2,112,000 or less than reproduction cost. The total book investment in road and equipment is reported as \$3,474,491 although it is admitted that notwithstanding the railroad was constructed within the last decade no reliable figures of actual cost could be furnished.

The next tentative report to be completed covered the Atlanta, Birmingham and Atlantic Railroad, a system of 444 miles of single track in Georgia and Alabama. The cost-of-reproduction-new was computed at \$26,446,411 and the reproduction-cost-less-depreciation at \$12,700,223. The capitalization was stated at \$59,500,000. The present corporation (a reorganization of the former bankrupt company), however, is capitalized at \$39,000,000. No estimate was made of the original-cost-to-date although the officials of the railroad furnished the evidence that in addition to securities issued for property, \$38,000,000 in cash was obtained from the proceeds of the sale of securities issued and expended for the construction of new lines and for the acquisition and rehabilitation of other lines now part of the system.

Another report of tentative valuation, that of the New Orleans, Texas and Mexico Railroad, recently published gives a reproduction-new valuation of \$8,865,636 and original-cost-to-date of \$12,194,231,

and contrasts this with a capitalization of \$41,000,000. However, the commission's tentative estimate of cost-of-reproduction covers only the railroad owned by the New Orleans, Texas & Mexico, whereas its capitalization includes an investment of \$28,000,000 in securities of three other railroads in Texas.

A fourth tentative report comprises the Kansas City Southern System, having 841 miles running from Kansas City, Missouri, to the Gulf. The cost-of-reproduction of this system is placed at \$47,015,814 and the reproduction-cost-less-depreciation at \$39,867,092. These figures are regarded as extremely low in view of the fact that since 1900 about \$20,000,000 of new capital was applied in physical improvements.

In the valuation of the Kansas City Southern and the Atlantic, Birmingham & Atlantic it was reported that original-cost-to-date could not be definitely ascertained. This conclusion is given notwithstanding that the lines valued are of comparatively recent construction, and that the commission's accountants (particularly in the case of the Kansas City Southern) were given access to complete records of construction vouchers. Moreover, no estimates, data, or findings were reported with reference to "other elements of value." Two of the companies submitted claims for such intangible values. The "original and present cost of condemnation of land and damages or of purchase in excess of such original cost or present value," as required by the language of the valuation act, were not reported. The Division of Valuation of the Interstate Commerce Commission seems to have prepared its estimates solely on engineering appraisals of actual physical property in use, leaving to the commission itself or to the courts the determination of other matters, nearly all of which are in dispute.

The railroad companies which have been served with notices of the tentative valuation of their properties have filed, as required by law, written protests against the results of inventories submitted to the commission. The commission itself announced that it has not yet finally passed upon the many questions relating to the methods and principles involved, but that it will do so when these matters are presented to it, along with the carriers' objections, for definite consideration in the actual valuations. Its decisions in these cases will then serve as a basis for its future work.

The protests of the carriers against the tentative valuation reports thus far represented are based mainly on the following contentions:

1. The valuations are incomplete in that they deal merely with engineering appraisals. They exclude many "costs" incurred in the

construction and development of the property which would again be incurred in the reproduction of these properties under any reasonable program of reproduction.

2. Unwarranted deductions from value have been made on account of depreciation, the carriers contending that depreciation is a matter of maintenance expense, that as long as a railroad property is efficiently and adequately maintained through repairs and renewals there is no depreciation.

3. No allowances have been made for abandoned property, although in many instances abandonments are as much the cost of the ordinary American railroad as is the cost of preliminary surveys in originally locating the line or the false work in building the bridges, and other expenses incurred in developing and operating a railroad plant.

4. The right-of-way values as determined by the Division of Valuation do not constitute the "reproduction cost" or the "present value" thereof since no allowances have been granted for cost of acquisition, severance damages, destruction or removal of buildings and the like, the commission merely taking the bare acreage value of adjacent lands and applying this unit value to the acreage of the railroad right-of-way and terminal real estate.

5. Nothing has been added to reproduction value to represent the intangible or so-called "other elements of value" which the valuation act requires to be separately inventoried.

6. The working capital or quick assets of the carriers has not been inventoried, although such assets are an integral part of the railroad property and are essential to the operation of the railroad.

Several hearings have already been held before the Interstate Commerce Commission in which oral protests against tentative valuations have been presented by both the railroads and state commissions. The only result thus far has been the registering of more conflicting theories and wider diversities of opinion. There is now dispute as to whether the commission should prepare final valuations of the properties of the carriers, it being contended by a representative of the state commissions that the valuation act gives no authority to fix final value. Commissioner Clements stated that the Interstate Commerce Commission has tentatively arrived at this conclusion, although he asserted that it is still open to argument on this point.

It is doubtful whether these disputed matters will be definitely settled for many years. The bare inventorying of the physical properties

is not expected to be completed during the coming three years. The difficult task of compiling and condensing the data, and the application thereto of unit prices, overhead expenses, engineering costs, and other elements of value, will require a much longer period. In the meantime, the expense of the work both to the railroads and to the government is tremendous, and as the work goes forward graver doubts are expressed of the ultimate utility of the whole undertaking.

A. M. SAKOLSKI.

THE CAPITALIZATION OF PUBLIC UTILITY CONSOLIDATIONS. What is to determine the amount of securities properly issuable, in the case of the consolidation of two or more public utility companies? Is it sufficient that the public utility commission or regulating body simply require that the amount of securities issued by the new corporation shall not exceed the outstanding capital stock and debt of the companies to be consolidated, or should it go farther and insist that the securities to be issued by the new corporation shall rest upon an actual valuation of the property, regardless of the existing capitalization? This question has recently been confronted by several public utility commissions; and, in view of the movement for consolidation among utility corporations, it is likely that it will present itself frequently in the near future.

Before the establishment of government control over the issuance of public utility securities, consolidation was often used to inflate capitalization. It was frequently felt that it would be easier for a new corporation to float an excessive issue than for any of the separate companies to do so. The stockholders in the merged companies were frequently glad of the opportunity of exchanging their shares for a larger number of shares in the new company, which in turn might be unloaded upon the investing public. But in many states which have seriously undertaken to regulate securities this practice is no longer possible. In these states the possibility of increasing the capitalization through consolidation beyond that of the consolidated companies, has been eliminated by the provisions in the state laws. For example, in Ohio¹ the law provides that the capital stock and aggregate debt of corporations formed by the merger or consolidation of two or more corporations shall not exceed the sum of capital stock and aggregate debt of the merged companies, and any additional sum actually paid in cash. Massachusetts² has the same provisions for gas and elec-

¹ Ohio, Laws of 1911, No. 325, sec. 62.

² Massachusetts, Acts of 1906, ch. 382, sec. 1.

tric utilities. The laws of Maryland,³ Nebraska,⁴ New York,⁵ Illinois,⁶ and Indiana,⁷ contain similar provisions regarding the capital stock, although they do not include the debt. But in many of the states the subject of capitalization of consolidations is not specifically covered by the laws, and the principles to be applied remain to be worked out by the commissions.

The principle that the capitalization of a corporation formed by consolidation of two or more corporations should not, by reason of such merger, exceed that of the consolidated companies, is unassailable. There is nothing in the mere act of consolidating which should give justification for increasing the aggregate capitalization. But does this principle go far enough? In the laws above mentioned, the provision is that the capital stock, or the stock and debt, of the new corporation shall not exceed that of the consolidated companies. But the commissions in practically all the states are given discretionary power as to what the amount of stock or securities issued shall be. Another question therefore presents itself. Is not the consolidation of companies which are already over-capitalized, an advantageous and appropriate time for the public authorities to squeeze out some of the water which has been injected in previous years? It is maintained by some that a corporation which represents a consolidation of other companies, and which is to come into possession of the properties of the consolidated companies, should be treated exactly as any new utility enterprise, and that the amount of capitalization to be allowed should be determined solely by the actual value of the property owned or to be acquired by the consolidated corporation. The Missouri Commission has applied the principle that over-capitalization must be eliminated before permission will be given to form a consolidation. In describing its action upon the petition of the Missouri and Kansas Telephone Company, the commission says:

In the consolidation of the properties of the Missouri and Kansas Telephone Company with the properties of the Home Telephone Company of Joplin, the Commission permitted the consolidation to be made on detailed appraisals of telephone valuation engineers of said properties. In the examination the Commission ascertained that at least \$100,000 of the stock of said Home Telephone Company had been issued without the actual cash having been paid for same, and the Commission permitted the consolidation upon condition that

³ Maryland, Laws of 1910, ch. 180, secs. 27 and 34.

⁴ Nebraska, Acts of 1909, ch. 108, sec. 1.

⁵ New York, Laws of 1910, ch. 480, secs. 55, 69, and 101.

⁶ Illinois, House Bill 907, 1913, sec. 22.

⁷ Indiana, Public Utility Act, ¶ 92.

the Home Telephone Company would surrender to its board of directors \$100,000 of said stock as 'watered' and cancel same and certify that fact to the Commission, which was fully complied with before the order of the Commission became effective permitting the consolidation of said two telephone companies.⁸

On the other hand, the Arizona, Ohio, Maryland, and Kansas public utility commissions, and the Massachusetts Gas and Electric Light Commission, are on record as granting applications for the issuance of securities by a consolidation, without conducting any valuation of the properties owned by the separate companies, apparently justifying their action upon the ground that the capitalization of the properties was not increased by the consolidation.

The Arizona commission, in granting its consent to the El Paso and Southwestern Railroad Company to consolidate with five smaller companies, imposed the following restriction:

provided that the entire issue of the capital stock and bonded indebtedness of such consolidated company issued in lieu of the present outstanding stock and bonded indebtedness of such separate companies so proposing to consolidate shall not exceed, without the further consent of the commission, the present total amount of all such capital stock and bonds issued by each of said companies, respectively, and now outstanding.⁹

The Massachusetts Gas and Electric Light Commission recently granted its approval to the consolidation of the Turners Falls Power and Electric Company with the Turners Falls Company, both engaged in supplying electricity. The former company was to issue 25,000 shares, par value \$100 each, to be exchanged share for share for the entire capital stock of the Turners Falls Company, the latter when exchanged to be cancelled. In granting this petition the commission states: "By reason of the proposed consolidation the facilities for furnishing and distributing electricity will not be diminished, and no increase will be effected in the aggregate capital stock, or in the aggregate debt of the two institutions."¹⁰ Apparently no consideration was given to the actual value of the properties, aside from pointing out that the "book value" of the properties in each case exceeded the outstanding liabilities. The same course of action was followed by the Kansas commission in permitting the consolidation of the Salina

⁸ In this case no opinion was written, but the order entered was apparently founded upon an extensive knowledge of the affairs of the company. *Second Annual Report, Missouri Public Service Commission*, p. 85.

⁹ *First Annual Report, Arizona Corporation Commission*, p. 825.

¹⁰ *Public Utility Reports Annotated* (Lawyers Coöperative Pub. Co., Rochester, N. Y.), 1915. B., p. 61.

Telephone Company with the United Telephone Company. The United Telephone Company was to assume all the obligations of the Salina Company and to exchange its stock share for share for that of the Salina Company, which was then to be cancelled. No valuation of the properties was conducted, and no reference to the value of the properties appears in the decision.¹¹ Similar actions had been taken by both the Maryland¹² and the Ohio¹³ commissions.

In a recent decision of the Illinois Public Utilities Commission, involving the consolidation of the Illinois Northern Utilities Company, the Freeport Railway and Light Company, and the Tri-County Light and Power Company, two conflicting points of view regarding the capitalization of consolidations are expressed.¹⁴ The majority of the commission take the position that a consolidation should be permitted to issue capital stock and obligations, dollar for dollar, to the amount of the outstanding issues of the companies forming the consolidation; but the minority insist that no securities should be permitted to be issued, except after a valuation of the property. The conflicting points of view are more sharply defined than in any other commission decision up to the present time dealing with this subject. The majority justified its action upon the ground that the Illinois statute simply forbids the commission from permitting the capitalization of consolidations to exceed that of the companies consolidated, but that the commission is not required by the statute to conduct a valuation; that no one would be benefited by reducing the existing capitalization; that if the commission should withhold its approval and thereby prevent the consolidation the same amount of stock would be outstanding; and that a public utility commission cannot properly deal with, or endeavor to eliminate, over-capitalization which has come about prior to the establishment of governmental control of security issues. The majority therefore held that the petition for the consolidation should be granted, and that the exchange of securities might be made, the capital stock and the bonded indebtedness of the consolidated corporation to be the same in par amount as that of the corporations to be consolidated. However, it was provided that each of the certificates of stock of the consolidated corporation should contain a statement to the effect that

¹¹ *American Telephone & Telegraph Co. Commission Leaflet* No. 29, p. 793.

¹² *Ibid.*, No. 16, p. 600.

¹³ *Annual Report, Ohio Public Utility Commission*, 1913, p. 106.

¹⁴ *Public Utility Commission of Illinois—Opinions and Orders*, No. 7, July, 1916.

the issue had been authorized by the commission, "without investigation by said commission of the value of the assets of said corporation." The dissenting commissioners contend that "the issuance of any stock without a determination of the value behind the stock is contrary to the spirit and purpose of the law, and contrary to public policy," and insist that the commission should exercise its privilege to conduct an evaluation of the property before permitting the issuance of securities.

The issues involved in this problem are much broader than the mere question of the proper capitalization of consolidations. The fundamental question is, What is to be the attitude of the state toward corporations which were already over-capitalized at the time of the establishment of government control of security issues? Is the state to endeavor to squeeze out such past over-capitalization, or is it simply to endeavor to prevent subsequent inflated issues? The same question arises not only in connection with petitions for consent to issue securities in consolidation cases: it likewise presents itself every time an over-capitalized utility petitions for consent to issue additional securities even for purposes which are proper, and in proper amounts. For if the state is to adopt the general policy of endeavoring to undo past over-capitalization, an over-capitalized concern cannot be permitted to make new issues until it first brings the value of its existing property up to the amount of its outstanding capitalization, or scales its capitalization down to correspond to the value of its property. Most of the commissions have taken the position that over-capitalization which came into existence prior to the establishment of commission control will be no bar to the issuance of new securities, when such new securities are for purposes properly chargeable to capital account and are issued for purposes properly chargeable to capital account and are issued in proper amounts. The Ohio commission says: ". . . the commission has held to the idea that past derelictions of duty or offenses involving even moral turpitude should not be regarded as a bar to future honest action, although the honest superstructure may of necessity be compelled to rest upon a dishonest foundation."¹⁵ This statement may be regarded as fairly typical of the attitude of all the commissions except those of Massachusetts and Texas. The course here indicated seems to be the reasonable one for regulating bodies to follow, for otherwise the issuance of securities for making needed extensions, betterments, and improvements, would be rendered difficult and sometimes almost impossible.

¹⁵ *Report of Public Service Commission of Ohio*, 1912, p. 4.

The situation seems to be analogous in the case of securities to be issued by a consolidation. To require the capitalization of a consolidation to be scaled down to correspond to the actual value of the properties involved obviously would mean in many cases that the consolidation would not be effected, and that, therefore, the community would be deprived of the advantages arising from unified operation, such as more economical financing, reduction in the cost of operation, and more efficient management. There is good reason to think that consolidation, especially of the smaller local utilities, will frequently lead to important gains and savings—in the benefits of which the public may share, where there exists a regulating body with wide and ample powers. Therefore a policy which would discourage such consolidation would be unfortunate indeed.

Further, to require a consolidation to limit its capital stock and bonded debt to the actual value of the property involved (if the state is not under obligation to protect authorized securities) would seem to be as retroactive as to require a corporation to wipe out all its past over-capitalization before permitting it to make new issues for betterments or improvements. If there be over-capitalization, it came about in most cases when such practices were not illegal, and when the utilities in making excessive issues were only engaging in practices which still widely prevail in other lines of business. For the state now to require the elimination of a portion of this capitalization, the issuance of which was perfectly legal at the time it was issued, would indeed seem to establish an *ex post facto* practice. True, it has frequently been recognized by regulating bodies that insolvency and reorganization offer a proper time to apply the pruning knife to fictitious capitalization. The New York commissions have insisted that in reorganization proceedings, a corporation in issuing its new securities for old is to be treated as a new enterprise, and that the amount of securities properly issuable is to be governed by the actual value of the assets, regardless of previous capitalization. In this position it has been followed by the Missouri, California, and other commissions. But a consolidation is essentially different from a reorganization. A reorganization, generally speaking, is brought about because the capitalization is so excessive that the fixed charges cannot be met. Such a situation, at least in most cases, justifies a scaling down of those charges or of the total capitalization, in the public interest. But a consolidation may represent a merger of separate companies, each of which is prosperous and successful, and each of

which beyond all question is able to meet its fixed charges. Under such circumstances there does not appear to be the same justification for the state to insist upon a reduction in the capitalization.

The above reasoning all rests upon the assumption that a state is not under obligation to guarantee a return, or to protect with any particular rate of return securities the issuance of which it may have approved, through its regulating body. While this is the position of nearly all the commissions,¹⁶ and while provisions to this effect are actually contained in the public utility laws of many states, this principle cannot be said to be indisputably established; for up to the present the courts have not been called upon to pass directly on the question as to whether a state, in the making of rates to the consumer, is under obligation to establish such rates as will provide a fair return, or any return, upon securities the issuance of which it has specifically approved. Obviously the reasonable assumption is that the state is under no such obligation. The state does not guarantee securities to investors when it approves them. With governmental regulation of securities, as without it, presumably rates will continue to rest upon the actual value of the property. But if the states are to be held responsible to permit a fair return on securities bearing their stamp of authorization, then the whole situation regarding the capitalization of consolidations is changed. It was pointed out in the Illinois decision, above referred to, that whether or not the petition of the consolidated company were granted, the same amount of securities would be outstanding. But it is important to note that the outstanding securities issued before the establishment of commission control do not carry with them the authorization of the state; whereas, after consolidation under commission control the whole new issue carries the authorization and approval of the state. If the capitalization of the constituent companies is to be the basis for the capitalization of the consolidated company, and if the authorization of the state indicates that securities are to be protected or guaranteed, or even are to be a factor of any importance in rate making, then utility companies, in so far as they are over-capitalized before consolidation, will materially strengthen their position by the mere process of consolidation, and the public to the same extent will lose. It is, therefore, evident that if state authorization of securities means state protection for them in rate making, the

¹⁶ The only commission which has definitely announced its intention to protect securities authorized by it is the Massachusetts Public Service Commission. See "Two Rate Decisions of Importance," by the author, *Quarterly Journal of Economics*, August, 1915.

petition of a consolidation to issue its securities must be treated exactly as the petition of a new enterprise. In other words, the amount of securities properly issuable must depend upon the value of the property. Further, if all securities approved by the state are to be protected by it in regulating rates to the consumer, insistence upon an equivalence between the capitalization of a consolidation and the value of the property involved cannot be regarded in any sense as retroactive. For the new securities authorized by the commission or the regulating body possess an entirely different character from that of the old securities. The substitution of the securities of the consolidation for those of the consolidated companies to the same aggregate amount, is not merely a preservation of the *status quo*, but it becomes a substitution of state-protected securities for those which are not so protected.

In view of the lack of authoritative judicial determination as to the extent of the obligation of the state towards securities approved by it, it is difficult to state what should be the attitude of regulating bodies regarding the issuance of securities by consolidations. It is surprising that this issue has not yet been fought through the courts. Final determination of this question is much to be desired. Such determination would materially simplify not only the question of the capitalization of consolidations but also the whole problem of public control of utility securities.

RALPH E. HEILMAN.

Northwestern University.

A new edition of *The Federal Anti-Trust Laws with Amendments* has been issued (Washington, Gov. Prtg. Off., pp. 105, 10c). This includes a list of cases instituted by the government and citation of cases decided thereunder.

Two recent issues of the Bureau of Railway Economics are *Comparative Railway Statistics, United States and Foreign Countries, 1913* (Washington, Miscel. Series No. 25, 1916, pp. 78) and *Statistics of Railways, 1905-1915, United States* (No. 26, pp. 57).

The bulletin of the American Railway Engineering Association for October, 1916, contains a *List of References on Valuation of Steam Railroads*, prepared by the Bureau of Railway Economics (Chicago, pp. 147).

The *Annual Report of the Department of City Transit of Philadelphia for 1915* (pp. 840) includes elaborate charts showing rapid transit development, having particular reference to the distribution of passengers.

The *Fourth Annual Report of the Public Service Commission of Massachusetts* (Boston, Jan., 1917, pp. cxv) gives special attention to the street railway question and in particular to the demands made by certain companies to obtain an increase in rates.

Labor

ARBITRATION AWARDS UNDER THE ERDMAN AND NEWLANDS ACTS.—In May, 1916, the United States Board of Mediation and Conciliation was directed by the Senate to prepare a report on the effects of the various arbitration awards made under the Erdman and Newlands acts upon the wages and working conditions of railroad employees. The report transmitted in response to this request has since been published as a Senate document. (*Report of the United States Board of Mediation and Conciliation on the Effects of Arbitration Proceedings upon Rates of Pay and Working Conditions of Railroad Employees*. Prepared under the direction of the Board by W. Jett Lauck. Senate Document No. 493, 64 Cong., 1 Sess. Washington, Government Printing Office, 1916, pp. 608.) The report is intended to show primarily how the award in each case compares with the demands of the employees and, so far as the data could be secured, the extent to which wages were advanced and working conditions improved by each award. A "history" of each case is also given, but this is little more than a bald recital of names and dates. More than one set of facts of vital significance in the working of the Newlands act are omitted. The arguments of the respective sides are given in summary for the last three regional arbitration cases under the statute; and in several cases, notably that of the conductors and trainmen versus the eastern roads in 1913, the reasons stated by the board for its decisions are given. Several railway arbitrations carried on outside the statute, the most important of which is that of the engineers in eastern territory in 1912, are also included.

The report shows that thirteen cases were submitted to arbitration under the Erdman act. In the first of these, submitted in January, 1907, the award was only technically an arbitration award, as it merely embodied the terms of an agreement reached by the parties the day after the hearings were begun. Eight cases were reported as concluded under the Newlands act prior to June 30, 1915. Four of the twenty-one cases, two under each act, were regional arbitration cases. In all but three cases under the Erdman act and two under the Newlands act the federal mediators were obliged to choose the neutral member or members to complete the board, the members chosen by the parties

having failed to agree on the additional member or members. In all but a few cases, too, the arbitrator or arbitrators selected by one of the sides dissented on one or more items in the award.

As to the question of how the award compares in each particular case with the demands of the men, no exact quantitative answer can be obtained from the report. In nearly every case both the demands and the awards involve items which are so different in character that they are not commensurate. But even in the matter of direct wage demands it is impossible to tell in all but a few cases what proportion of the aggregate wage increase asked was actually granted. In a very few cases the board awarded a lump sum or a given percentage increase in the aggregate. For the most part, however, specific rates were demanded instead of specific increases, and specific rates were awarded; and for such cases the rates in existence before the award are not set forth with the completeness required for a quantitative comparison of the increases awarded with those actually asked. The percentages gained by each class of workers are given in some cases, to be sure, but in only two cases is the number of men in each class given. For example, in the accounts of the firemen's Eastern arbitration in 1913 and the engineers' and firemen's arbitration in the West in 1914-1915 the data given, although considerable, are insufficient for the desired comparison of the wage increases awarded with those demanded. In both cases the demands were for standard rates. The report gives many pages of detailed figures as to the rates on individual roads before and after arbitrations, but not all of the roads involved are fully covered in the wage returns in either case, and in neither is the classification of the locomotives in the returns the same as that followed in the demands and in the award. Moreover, a further difficulty stands in the way of estimating the actual wage increases awarded in the cases involving men in train service. This is the uncertainty as to what wage increases are indirectly involved in reductions in the number of hours taken as the basic day—that is, the number of hours after which overtime begins—for men whose runs are expected normally to exceed that number of hours.

Incomplete though the wage data available for comparisons are, enough is given to indicate that the arbitrators did not as a rule merely split the difference in arriving at their awards. It is clear that in many instances the men were given considerably more than half of what they asked—in a few instances all—and in other instances they were given only a small fraction of the increase demanded. In the firemen's arbitration in western territory in 1910, for example, the

men were awarded at least two thirds of what they requested where the demands were for specific increases. In many cases, too, the boards awarded much larger percentages of what was asked to some groups of workers than to others. There are instances of a board granting demands for some classes in full and much less than half of what was asked for other classes in the same award. Differentials are in some cases introduced in the award which do not appear in the demands, and there are instances in which requests for differentials of a standard amount are met by a refusal to establish any differential. Many of the rules demanded, too, are either granted outright or refused outright.

If the awards in the last three regional arbitrations held under the statute be studied as a group, a number of interesting and significant points appear. In all three cases one of the central demands is that for standardization of wage rates, hours, and working conditions; and it has met with a large measure of success. Where the boards have refused to award uniform rates it has been because of non-uniformities in the skill or effort required for the service rather than because of inequalities in the earning power of the roads. The boards have also consistently granted the men's contention that no existing wage rate or condition more favorable to the men than that awarded should be reduced or withdrawn as a result of the arbitration. On the other hand, the demand for time and a half for overtime in freight service (other than switching), first advanced in a regional arbitration in 1913, was refused both in 1913 and in 1915. In several other matters a later board has followed the ruling of an earlier one. This consistency is found also in the awards in the group of telegraphers' cases.

In the matter of general wage advances the boards seem to have been influenced chiefly by increases in the cost of living and the degree to which the amount of work or the responsibility placed on the worker had increased, if at all. A wage principle advanced by the engineers and firemen in the last regional arbitration should also be noted. The men asked that the engineers and helpers on electric locomotives should be paid the same rates as were asked for engineers and firemen on steam locomotives. They admitted that the work on electric locomotives was not so laborious, particularly in the case of helpers, but urged, among other things, that the "employees should be privileged to share in the productivity and economic advantages resulting from the introduction of labor saving and profit producing machines." The board declined

to grant the same standard rates for western territory for the electric locomotives as were granted for steam locomotives because "the electric service was in a state of development and there was no uniformity in practice," but it did award that on each road on which the electric locomotives were introduced the minimum day's rates in steam service should hold for the electric service also.

DAVID A. McCABE.

Princeton University.

Among the new issues of the United States Bureau of Labor Statistics are:

No. 193, *Dressmaking as a Trade in Massachusetts*, by Dr. May Allinson (Washington, Sept., 1916), which is to be noted at greater length in the next issue of the Review.

No. 202, *Proceedings of the Conference of Employment Managers' Association of Boston, Mass.: Held May 10, 1916* (p. 64). This is a verbatim transcript.

No. 206, *The British System of Labor Exchanges*, by B. Lasker (Oct., 1916, pp. 67), giving an account of the system which has been in operation since 1909. Apparently employment insurance has not lessened the work of labor exchanges. There has been a reduction in casual labor. It is believed that public opinion has been affected so that the public authorities have decreased the evil of seasonal unemployment.

The hearings, entitled *Threatened Strike of Railway Employees*, before the Senate Committee on Interstate Commerce, during the late summer, have been published as a Senate document (64 Cong., 1 Sess., No. 549, pp. 171).

The Law Reporting Company (74 Broadway, New York) has printed the *Proceedings, Brief, and Award in the Arbitration Case Between the Railroads and the Switchmen's Union of North America*.

The Hart Schaffner & Marx Labor Agreements (pp. 41), prepared by J. E. Williams, chairman of the board of arbitration, Sidney Hillman, president of the Amalgamated Clothing Workers of America, and Professor Earl Dean Howard, director of labor for Hart Schaffner & Marx, gives details of the arrangements which have been made by this firm for its employees. Articles by Professor Howard and Professor Wigmore are reprinted from the *Illinois Law Review* for March, 1916.

The Joint Board of Sanitary Control of the Cloak, Suit, and Skirt

and the Dress and Waist Industries of New York has summarized its experience in a pamphlet, *Six Years Work and Progress* (Union Sq., New York, June 31, 1916, pp. 31).

Bulletin No. 12 of the Minimum Wage Commission of Massachusetts is entitled *Preliminary Report on the Effect of the Minimum Wage in Massachusetts Retail Stores* (Boston, Nov., 1916, pp. 53). It is stated that the proprietors of the larger retail stores with few exceptions have accepted the recommendations of the commission. About January 1, 1916, when the commission's recommendations became effective, the wages of nearly 40 per cent of the employees concerned, employed in 900 stores, were raised; and in these stores the percentage of wage increases was 46. In the stores where the wages previously paid were not less than the minimum rates recommended, the percentage of wage increase was 20 per cent. The report includes the result of an investigation of the committee of the Boston Social Union which showed that the total earnings in the year 1916 of women and girls who were known to have lost their positions in consequence of the introduction of the minimum wage and have been compelled to seek other employment would be greater than would have been the case had they retained their positions in the retail stores at the wages they had been receiving. It is also stated that there is no tendency for the minimum wage to become a maximum.

The *Third Annual Report of the State Board of Labor and Industries* of Massachusetts (Boston, Jan., 1916, pp. 140) contains an appendix on an examination of minors by Dr. M. Victor Safford. All cotton manufacturing centers were covered by this examination; 679 boys between the ages of 14 and 18 were subjected to physical examinations. Tables are given showing, by ages and nationalities, height, weight, chest measure, and strength of grip. These results are compared with similar measurements made of other groups. The tables also show the diseases and defects found among these employees.

The Bureau of Accident Prevention of the Portland Cement Association of Chicago has made a *Study of Accidents for the year 1915* (Chicago, Sept. 1916, pp. 31). This is the third year during which this association has collected accident statistics from its member companies. Interesting charts are included.

The Women's Trade Union League of Massachusetts has prepared an argument for *The Forty-Eight-Hour Week for Women* (Boston, 919 Washington St., 1917, pp. 19). This is to serve as propaganda for the campaign for a reduction in the hours of labor for women.

The Mayor's Committee on Unemployment of New York City, as the result of its investigations, has published two pamphlets. *Planning Public Expenditures to Compensate for Decreased Private Employment during Business Depressions* (Nov., 1916, pp. 29) is a fuller report of an address by John R. Shillady, secretary of the committee, originally presented before the National Conference of Charities and Correction at Indianapolis, May 16, 1916. A summary is given of recommendations made by other commissions along the line suggested, including the experience of foreign countries. It is believed that several of the federal departments might make an advantageous shifting of expenditures over a period of years so as to secure larger outlays in periods of depression. Particularly is this true of expenditures by the Reclamation Service, and of expenditures for public buildings, rivers and harbors and good roads. It is also believed that railroads could take advantage of lean years when the price of materials is low to undertake a larger volume of improvements. The second report deals with *Dock Employment in New York City and Recommendations for its Regularization* (Oct., 1916, pp. 82, 50c). This is a much more exhaustive study and takes up questions of conditions of employment, wages and earnings, and collective agreements. A detailed scheme is added for centralizing and regularizing the employment of longshoremen.

Mr. Edwin V. O'Hara, chairman of the Industrial Welfare Commission of the State of Oregon, summarizes in a recent pamphlet the Oregon experience with *A Living Wage by Legislation* (Salem, 1916, pp. xxiii, 57). This contains the code of rulings of the Oregon commission, the text of the minimum wage law, and extracts from the Oregon supreme court decisions upholding the constitutionality of the act.

Money, Prices, Credit, and Banking

EDUCATIONAL CAMPAIGN CONCERNING COMMERCIAL PAPER. When the National Monetary Commission submitted its final report to Congress it included among the seventeen enumerated faults of our old banking system several concerning the commercial paper situation in this country. On the one hand it lamented the absence of an open discount market where, through the extensive buying and selling of good commercial paper, a high degree of fluidity of credit could be assured. But, even more fundamentally, it regretted the absence from our system of the kind of paper that could be dealt in in such a market.

In the Federal Reserve act with its amendments, Congress went as far as it could in providing a basis for the creation of an open dis-

count market. It authorized rediscount and open market operations by the federal reserve banks, it legalized acceptance practice in home as well as in foreign trade, and it gave the Federal Reserve Board broad authority in defining and in fixing rates of discount at the reserve banks for the different classes of paper. Moreover, after some experimenting, the Reserve Board, in a series of regulations, authorized differential rates of discount for the kinds of paper that could be used in rediscounting and that could be handled in open market operations. Yet despite a little advance that has been made every interested observer of the situation recognizes that we are far from creating an open discount market.

Two reasons in the main may be adduced in explanation of this fact. In the first place, the reduction of the required reserves by the Federal Reserve act itself and the great influx of the gold from abroad so eased the money situation that there was little inducement to the banks to concern themselves much about the possibility of rediscounting paper, and hence about the kinds of paper necessary for the purposes. In the second place, the relatively easy money situation and the facility with which credit could be obtained according to the old established methods afforded no stimulus to business men to study the weaknesses of accepted methods and to supplant them with new methods deemed more efficient. Hence it is recognized that the full possibilities of the federal reserve system can be realized only after American business men and bankers have given sufficient study to the domestic credit situation to induce them to work together for such readjustment of present-day methods as may be desirable.

With the object of stimulating the interest necessary for such a study, and, at the same time, with the purpose of supplying as much material bearing on the subject as can be brought together, two Philadelphia business men, Mr. John S. Jenks, Jr., and Mr. George H. Paine, have undertaken a broadly conceived educational campaign. As a first step there will be published some special newspaper editions dealing with the whole subject in as comprehensive a way as possible. Contributions are being prepared by such specialists in the academic field as Professors Seligman, Kemmerer, Patterson, Moulton, and Dean Kinley and by Dr. Willis, M. C. Elliott, Gilbert Montague, H. B. Paton, John G. Johnson, and Professors Sullivan, Brannan and Williston in the practical and legal fields. Studies will subsequently be made of credit practices in the various lines of trade; and through discussion and experimentation it is hoped not only to arouse interest but also to

assist the evolution of a form of credit procedure that will meet the requirements of sound principles, and at the same time insure the willing coöperation of American bankers and business men.

As a practical suggestion in this connection, Messrs. Jenks and Paine, with their associates, have devised a new form of commercial paper which aims to combine the advantages of the single-name promissory note with those of the trade acceptance, and which at the same time endeavors to meet the objections that are raised against these forms. Arrangements have been made for an extensive experiment in actual practice with the new form. A careful study of these experiments will be made and the results thereof will be duly published. It is hoped in this way to make a strong appeal to the practical business man, doubtful of purely theoretical arguments. At the same time it is hoped to learn from actual experimentation what the needs of American business as well as what its possibilities in the field of credit practice may be.

Those likely to be interested in this educational campaign, and desiring to be kept in touch with its main developments, are requested to communicate with the undersigned who has agreed to exercise general editorial supervision over it.

EUGENE E. AGGER.

Columbia University.

The Petersburg Land Bank Committee representing the Chamber of Commerce of the City of Petersburg has printed the *Argument Presented to the Federal Farm Loan Board for the Establishment of a Federal Land Bank at Petersburg, Virginia* (Oct., 1916, pp. 78, maps). This contains a discussion of the factors that must determine farm loan needs and the reasons why a land bank should be located in Virginia and more specifically in Petersburg. There are several statistical charts showing the farm mortgage debt of the proposed federal land district by states compared with Iowa. The maps show the railroad facilities of Petersburg, the geographical location of Petersburg with reference to the farm land in surrounding states, and also certain climatic phenomena pertaining to the district.

The Secretary of the State Banking Board of Nebraska, in the *Twenty-fourth Annual Report* showing the condition of building and loan associations of Nebraska (Lincoln, 1916, pp. 155), calls attention to the high rate of interest which borrowers of these institutions pay in that state. He believes that before long legislative interference will be necessary.

The Union Trust Company of Detroit, Michigan, has published a pamphlet entitled *Twenty-five Years of Humanities and Benefits* (1916, pp. 36) which gives a popular account of the work of a trust company.

The Massachusetts Commission on Cost of Living has made a brief report on *Anthracite Coal* (pp. 8). It is believed that the recent increase in the price in Massachusetts is by no means due entirely to policies of mining companies. There has been a lack of cars and labor. Railroad embargoes have played a large part.

The November Bulletin of the Department of Public Welfare of Chicago makes an exhaustive report on the *Loan Shark* in Chicago, prepared by Dr. Earle E. Eubank (Chicago, Nov., 1916, pp. 137). This describes the varieties of loan shark, the extent of the business, its technique, devices for getting business and making collections; legislation; and the substitute plans, such as the employers' loan fund, credit unions, the Morris plan, and the National Federation of Remedial Loan Associations.

The 1915-1916 *Supplement* to Payne's Banking Laws of New York has recently been published (75c.)

Among the reports of proceedings of bankers associations are to be noted:

The Proceedings of the Twenty-fifth Annual Convention of the Georgia Bankers' Association (Haynes McFadden, secretary, Chandler Bldg., Atlanta, 1916, pp. 180), which contains an address on "The federal reserve," by Charles S. Hamlin of the Federal Reserve Board.

Maryland Bankers Association Twenty-first Annual Convention (Charles Hann, secretary, Merchants-Mechanics' First National Bank, Baltimore, 1916, pp. 115).

Thirtieth Annual Convention of the Michigan Bankers Association (H. M. Brown, secretary, Ford Bldg., Detroit, 1916, pp. 149). This contains an address on "The Ford profit-sharing plan."

The Proceedings of the Twenty-second Annual Convention of the Pennsylvania Bankers Association (D. S. Kloss, secretary, Tyrone, 1916, pp. 302) contains the debate between the Pittsburgh and Philadelphia chapters of the American Institute of Banking on the question, "Resolved: That the closing of accounts on terms exceeding thirty days by acceptance is an improvement over the present method of merchandise extension" (pp. 148-181).

Public Finance

FINANCIAL STATISTICS OF STATES: 1915 is the title of a 125-page publication which was prepared under the supervision of Mr. Starke M. Grogan, chief statistician for statistics of states and cities, and issued by the United States Bureau of the Census in November, 1916. Perhaps the scope of this work is best expressed in the opening paragraph of the report itself.

The statistics herewith presented relate to the financial transactions of the 48 states for the fiscal year 1915 and of the financial condition of each state at the close of its fiscal year. For those states which closed their fiscal year on June 30 the data given pertain to the year beginning July 1, 1914, and ending June 30, 1915; for other states the data are of the twelve-month or fiscal period ending on a date between July 1, 1914, and June 30, 1915. The report presents statistics of (1) the total and per capita receipts of states from revenues, and from the principal classes thereof; (2) the total and per capita payments of states for expenses, interest, and outlays, and for each of the principal classes of expenses and outlays; (3) the total value of state properties; (4) the total and per capita indebtedness of states; and (5) the total and per capita assessed valuation of property subject to taxation.

In spite of the explanation in the above paragraph, to say that these statistics are for the fiscal year of 1915 is likely to be misleading to many because there are only twelve of the 48 states whose fiscal years end on June 30. Presumably this means that, for the other 36 states, these statistics are really for their fiscal years of 1914 instead of 1915.

A little more than half of the report consists of general tables which present the main analyses of receipts, payments, etc., mentioned in the paragraph quoted above. The rest of the report is text in explanation of these tables. Considerable addenda in the form of special tables are included in the text. Over a fourth of the text is devoted to the definition of the accounting terminology. Perhaps this much space for terminology is justified in order to secure definiteness and accuracy; and, furthermore, it may have some small influence in improving and in making uniform the accounting systems of some of the states.

To present, in really comparable form, the financial statistics of 48 different states, with all their diversities of organization, administration, and accounting is an exceedingly difficult, as well as a somewhat tedious and expensive, undertaking. The difficulties are great not only because the accounting systems are not uniform, but also because many of these systems are antiquated, inadequate, and misleading. This report undertakes to harmonize the data and to make them really comparable. The methods and principles followed in making this

harmonization, as outlined in the introduction, seem to be sound and, on the whole, to be as well adapted to secure the desired ends as could be expected or asked. There are certain numerated difficulties, however, which the report frankly admits that the Bureau of the Census is unable to overcome.

The analyses in the general tables are presented in good form and in as much detail as the size of the report permits. The text and the special tables therein modify or qualify the data of the general tables to such an extent that one takes a considerable risk in drawing any conclusions without first making a thorough study of a large part of the report. There are, also, some matters which one is likely to misunderstand unless familiar with the revenue systems of the states in question. This report fills an important gap in the statistics of government finance already published by the Bureau of the Census. Though not mentioned in the report itself, it is the reviewer's understanding that it was made in pursuance of the recommendations of the National Tax Association. Most or all of the data for a similar report for the following year have already been collected and it is to be hoped that such information will be made available annually hereafter. An even greater desideratum is that this and other agencies shall help to bring about improved accounting and fiscal practices in states and other governmental units.

ROY G. BLAKEY.

University of Minnesota.

THE COMPARATIVE COST OF STATE GOVERNMENTS. The present writer is especially interested in the census publication noted above because of the fact that for several months immediately preceding its publication he had been assisting the Minnesota Tax Commission in conducting an investigation or study of the comparative cost of government in a group of North Central states comprising Minnesota, Wisconsin, Michigan, Indiana, Ohio, and Iowa. This latter study covers the fiscal year of 1915 for each state except Ohio. On account of a change in the date of the fiscal year, Ohio had a 7½-month fiscal period, but no 12-month fiscal year of 1915; hence, the fiscal year of 1916 was taken in its case. Data for 1916, rather than for 1915, would have been used throughout had it been available. In the case of only three of the states mentioned above—Wisconsin, Michigan, and Iowa—are the data for the same year, 1915, presented in the census publication.

In most respects, the scope of our study is less comprehensive than that of the Bureau of the Census; and it does not undertake to make quite so many refinements in correction of the original accounting, or to put the data on an accrual rather than on a cash basis, as does the census study. Differences in amount of available time, assistance, and funds account for and justify most of these differences in treatment. Yet the results of the two studies are reasonably harmonious, in so far as we have compared them, and in so far as they refer to the same years and are otherwise comparable.

It is impossible to give here the results of our study in any detail. Perhaps the one result which most impressed the present writer is a more lively realization of the difficulties of making and presenting such studies in a way that will not be misleading to the average, and even to the careful, reader. We do not think these difficulties are peculiar to our investigation, we are sure that they were met by the census investigators, and they are characteristic of similar difficulties met in thousands of other investigations. In order to give a more vivid picture of these difficulties and to indicate their bearing upon how one should evaluate statistics it may not be amiss to cite a few concrete typical examples of the difficulties which we encountered in our study.

Chief among the causes of the difficulties are the differences in the accounting systems and the differences in the functions and activities of state departments, boards, and officials. The accounts of state auditors and treasurers are not kept primarily for the purpose of showing most clearly the current costs of government, but are concerned chiefly with appropriations and funds; that is, the chief aims of the accounting officers are to see that legislative appropriations are credited to, and that warrants drawn are charged against, their proper funds, and that these funds are not overdrawn. Though these are very legitimate and desirable functions for accounting officers to perform, accounts devised to secure these ends do not necessarily, in fact do not usually, show clearly the current costs of government. Transfers are made from one fund to another; sometimes the transfers are only one way, sometimes both ways, sometimes they are retransferred to other funds. A transfer appears as a payment or disbursement of one fund and as a receipt of another. It is obvious that the sums of the receipts and of the disbursements of all funds contain duplications and do not correspond with the cost of government to the state. Some auditors and treasurers keep accounts of most of these transfers in such a way that they can be eliminated from the totals, but in hardly any case are

all of the difficulties and dangers of misconstruction and misapprehension avoided.

Sometimes, too, appropriations are made in such a way that it is impossible for the auditor to keep a satisfactory set of accounts. For example, one state auditor writes: "We have what I consider to be a very poor system of appropriating money in this state; for instance, an appropriation is made by the legislature for a state institution or department, and then, in addition, the state institution or department is allowed to draw from the general fund the amount it may require for certain purposes and the result of this system is that it is almost impossible to tell the amount that may be drawn in many cases."

Another difficulty is that practically all the state accounts are of cash receipts and disbursements. The current costs of government for any particular year are not, strictly speaking, either the cash receipts or cash payments of that year; even still less accurately are they the tax levies of that year, or of the preceding year; rather they are more accurately the expenses accrued in that year. The total amount of cash received by the state treasurer from the first day until the last day of the fiscal year—and this is what his and the auditor's accounts show—may include large or small amounts that were due in the previous year and may fail to include equal or very unequal amounts that were due in this year but not received until later. If the lag were always exactly or even approximately the same, perhaps the figures for receipts would not be very misleading. But even then, receipts alone do not take account of balances on hand at the beginning and end of the year. If these are taken into account, we discard receipts as a measure of costs and go over to payments or disbursements.

Disbursements as a measure of current costs are perhaps the best practicable gauge that we have under existing systems of public accounting, but they, too, as an accurate measure, fall short in several respects. There is much the same difficulty about delinquent payments as about delinquent receipts. A second difficulty is that the state's fiscal year does not coincide with many of the natural fiscal years of certain activities. For example, the natural fiscal year for highway improvements may be the calendar year, so that a state's fiscal year ending June 30, or near that date, as is most common, shows parts of two years' expenditures, rather than one year's. It would seem that the natural fiscal year of universities and other state schools would correspond so well with the state's fiscal year that there would be no difficulty in these cases, at least; but owing to the lag, it is true in

practically every case that the state auditor's disbursements for these institutions contain parts of the expenditures of two different school years, rather than the complete disbursements for one year.

Another difficulty with payments or disbursements arises in connection with capital outlays and depreciation. It is obviously unsound to count as costs of government for one particular year the total disbursements that are made for permanent improvements or capital outlays such as those for lands and buildings. But it is not sound to leave out the entire expenditure for permanent improvements. "Permanent" is only a relative term; it may mean 100 years or 10 years or more or less. The average depreciation and obsolescence should be charged to each year, but no system of state accounts which we have examined attempts to take account of depreciation or makes yearly inventories of the state's assets. To do this accurately would be a rather difficult task and may or may not be justifiable on the basis of results, but there can be no accurate cost accounting in regard to public activities until it is done. No state, and few if any other divisions of government, have up-to-date accounting systems comparable to those of the better private corporations. The inertia inherent in governmental administration prevents modernization, and state accountants bemoan in vain the fact that they cannot extricate their accounts from the antiquated systems of the last century.

Though state auditors and treasurers do not carry depreciation accounts, there is a growing tendency to make a more or less rough separation or classification of payments for current purposes and for capital outlays. In many cases not even this is done, and when it is, there is little uniformity in the practice of the different states. In order to make the costs in the different states comparable, there should be uniformity in this as well as in other matters. In the present investigation this has meant much reclassification and has involved careful study of numerous state accounts, reports, and statutes, as well as consultations with, and explanatory letters from, the accounting officers of each state.

As mentioned above, not only differences in accounting, but differences in activities and functions also, give rise to much difficulty in comparing costs. For example, Wisconsin has no state auditor; most, though not all, of the usual functions of the auditor are performed by the secretary of state. The same state has a treasury agent who collects peddlers' licenses and turns them into the state treasury but who has no other connection with that office; no other

state has a corresponding state officer. Iowa alone of the six states compared has no tax commission. Some of the usual duties of this commission are performed by the auditor, the executive council, and an ex-officio board of equalization. The treasurer collects the inheritance tax in Iowa. The same is true in Wisconsin, though the tax commission performs some of the duties of assessment. In Minnesota this tax is collected by the attorney general and in Michigan by the auditor. The executive council in Iowa, which is a sort of cabinet or commission of state officers with expenses of its own not allotted to regular executive offices, has no counterpart in the other states compared. The state liquor licensing board and the board of public works in Ohio have no comparable counterparts in the other states. The boards of charities in different states have widely different powers and expenditures. The agricultural commission of Ohio has succeeded to the functions and powers formerly exercised by the state board of agriculture, the board of livestock commissioners, the board of control of the state agricultural experiment station, the dairy and food commission, the fish and game commission, the state board of veterinary examiners, and part of the former duties of the state board of pharmacy. In Indiana, there is no separate state banking, insurance or land department. The auditor looks after the usual activities of these departments, in so far as they are looked after. In Indiana and Michigan, each charitable and penal institution is under an independent board; in the other states of our group they are under central boards. In most states the state board of agriculture is a board which runs the state fair, but in Michigan it is a board of trustees or regents of the state agricultural college. A so-called state fair is held in Michigan, but the state government makes no appropriation and really has nothing to do with it. A county agent in most states means an agricultural supervisor; in Michigan it means a charitable officer. In some states, notably Iowa and Indiana, and Michigan in part, the auditors' reports take no account of earnings or fees of various institutions. In the other states most, though not quite all, of such receipts are covered into the state treasury and total disbursements as shown in the treasurer's and auditor's reports include both these earnings and ordinary appropriations from state funds. Ohio supports four state universities, Indiana two, each of the other states only one. In Michigan, Iowa, and Indiana, the state agricultural college is separate from the state university; in the other states, it is not, and its expenses cannot be satisfactorily separated from those of the uni-

versity. In most cases it is impossible to show separately the costs of the agricultural experiment stations.

The above list of differences is far from being exhaustive, but it illustrates the difficulties that must be met in making an accurate comparison of costs. Even if all of these difficulties were successfully overcome, not too much weight should be given to gross payments, or net payments, or even to per capita payments of state government as such; rather, they should be viewed in their relation to at least three other considerations: first, the burden of such payments in view of the wealth or income of the citizens of the respective states; second, the part of the total burden which payments of the state government as such entail in view of the fact that many functions performed in one state by the state government are left to the local divisions of government in other states, thereby lessening state taxes by increasing local taxes; and third, the extra services, if any, which the citizens of a state get because of the extra payments which they make. In other words, extra payments may or may not be more than justified by extra benefits which they make possible. Neither decreased nor increased cost payments are desirable or undesirable in themselves. The chief consideration is, Are the costs justified by the returns?

ROY G. BLAKEY.

REPORT OF THE INDIANA SPECIAL COMMISSION ON TAXATION. The last general revision of the Indiana tax laws was made in 1891. At that time, the legislature provided for the continuance of the general property tax, with certain minor changes from the plan previously obtaining, and created a State Board of Tax Commissioners to supervise the administration of the law. The state board was given power to assess such properties as railroads lying within the state, to reassess individuals and corporations upon appeal of the same from county boards of review, and to raise the assessments of the counties in whole or in part. The board, however, was not authorized to change local assessments upon its own initiative, nor was it given the power to appoint township or county assessors, nor to remove them in case of their inefficiency.

After about 1910, complaints against the operation of the general property tax system in Indiana became numerous and finally attracted state-wide attention. Accordingly, in 1915, the legislature authorized the appointment of a Special Commission on Taxation to study the problems of taxation as they had arisen in the experience of the state.

Subsequently five commissioners were appointed by the governor and the commission in turn secured the services of Professor Robert A. Campbell, of Cornell University, to act as its expert assistant. Under Professor Campbell's direction, a survey was made of representative counties to discover to what extent there was under-assessment of real estate. Figures were also collected relative to the assessment of personal property, both tangible and intangible. A number of hearings were held by the commission. As a result of these investigations, it was definitely established that most real estate was under-assessed, that there was wide variation in the assessment of all classes of property, and that but a fraction of intangibles was ever placed upon the tax duplicate.

In making its report (*Report of the Indiana Special Commission on Taxation*, Indianapolis, 1916) the commission failed to reach a unanimous decision. Three of its members—a real estate dealer, a farmer, and a former city official—declared that the general property tax was correct in theory, but that in Indiana it had broken down in practice merely because there had not been an efficient administration. These commissioners accordingly advocated increased powers for the State Board of Tax Commissioners—thereafter to be known as the Board of Tax Control—chief among which powers were to be the right to bring before itself for review any individual local assessment, and the right to bring proceedings in court for the removal of a local tax officer who should fail to perform his duty. The majority report also recommended the limitation of tax rates for the state, the counties, and the townships; such limitation to be preceded by a complete reassessment. It was not suggested, however, that the limitation of rates should be protected against legislative increases by an amendment to the constitution. The employment of "tax-ferrets," to search out intangible property, was also advised.

According to an opinion rendered by the attorney general of the state, the Indiana constitution excludes the employment of a classified property tax and also a progressive income tax. In view of this opinion, the majority report of the commission had little to say about an income tax; and it made practically no comment at all upon the merits of the classification plan. The latter fact is not surprising, however, when we consider the ardent defense made by the majority members in favor of a uniform general property tax.

Two minority reports were rendered: one by Professor William A. Rawles, of Indiana University, and the other by Fred A. Simms, a

former member of the State Board of Tax Commissioners. In contrast with the conservative and, in some ways, reactionary majority statement, the scholarly and scientific report of Professor Rawles stands out in pleasing relief. In this report, it was pointed out that the general property tax is incorrect in theory and that, even with a highly centralized administration, coupled with the employment of "tax-ferrets," the plan is impracticable. Limitation of tax rates as applied to special classes of property was granted approval provided such restriction was secured by the means of a constitutional amendment. Professor Rawles expressed the opinion that it would not be wise to go farther at the present time in the process of tax reform than to attempt a solution of the problem of the proper taxation of personal property. In this connection, he suggested the advisability of adopting either a classified property tax for intangibles or an income tax modeled after the Wisconsin plan; of the two plans, he favored the latter. Since the present constitution would forbid the inauguration of either of these schemes, a constitutional amendment was recommended which would afford the legislature complete freedom in putting them into operation.

The report of Mr. Simms took exception to the majority statement that the general property tax had failed in operation because of laxity in administration. It agreed with the recommendations in favor of limitations on the tax rate, provided these limitations applied to various classes of property. Mr. Simms was not prepared, however, to follow Professor Rawles in sweeping condemnation of the general property tax. To a considerable extent, the opinions in his report seem to be contradictory.

In conclusion, it is to be regretted that it proved impossible for the commission to agree upon a joint report in favor of the abolition of the general property tax and the creation of new means for raising the state's revenue. Such a result of the commission's deliberations would have great effect at the present time in promoting real tax reform in Indiana. It is a fact decidedly unfavorable to the Indiana commission that special investigations in other states of the Union have practically all condemned the general property tax and have especially disapproved of mediaeval inquisitorial methods for discovering sequestered property.

FRANK T. STOCKTON.

Indiana University.

The *Sixth Annual Report of the New Hampshire Tax Commission* (Concord, 1916, pp. 212) contains the papers read at the fifth annual

conference of the New Hampshire Association of Assessors, held in December, 1915. Among these are: "Municipal financing and accounting in New Hampshire," by Edward C. Mabie, assistant to the state tax commissioner (pp. 13-26); "Town and village accounts in New Hampshire," by Professor W. R. Gray, of Dartmouth College (pp. 27-42); "Taxation of intangibles," by J. H. Morris, of the board of assessors of Concord (pp. 80-86); and "Methods of valuing property for taxation," by Albert O. Brown (pp. 87-94).

The *Fifth Annual Report of the Board of Tax Commissioners of Rhode Island* (Providence, Jan. 15, 1917, pp. 49) has several pages devoted to description of the inheritance tax act of 1916.

In the *Report of the Tax Commissioner of Connecticut, 1915-1916* (Hartford, 1916, pp. 254), in addition to the statistical tables, there is extended comment on the taxation of inheritances (pp. 48-56), including a chart showing inheritance tax receipts since 1890. There are also charts of state receipts and expenditures for the year 1916. An account is given of the operation of the new tax laws of 1915. Extracts are reprinted from reports from tax commissions relating to topics immediately connected with tax problems in Connecticut and reprints of record cards and blanks used by tax officials (pp. 84-96). The brief submitted by the state to the supreme court on the taxation of water, gas, and electric companies according to gross earnings is also inserted, and there is a reprint of the addresses delivered at the Annual Conference of the State Tax Officials' Association held in Hartford in 1915 and 1916.

The *Proceedings of the Conference Held in Baltimore, Thursday, July 6, 1916, under the Auspices of the State Tax Commission of Maryland* (pp. 60) contains addresses on "Valuation," by A. C. Girdwood, secretary; "The needs of a general assessment in Maryland," by A. P. Gorman, chairman; "Plan for general reassessment of real estate," by L. W. Wickes, of the tax commission; "Administrative problems," by Oscar Leser, also a member of the commission; and "Methods of assessment in Baltimore City," by T. J. Lindsay, special assessor in Baltimore.

In connection with the proposed legislation for changing the tax system in Kentucky, the Louisville Real Estate Board submitted a brief on *Taxation of Mortgages in Kentucky* (pp. 67), prepared by E. L. McDonald. This advocates a mortgage recording tax.

The *Second Annual Report of the South Carolina Tax Association* (Columbia, 1917, pp. 133) is largely devoted to statistical tables.

The *Second Biennial Report of the Tax Commission of South Dakota* for 1915-1916 (Pierre, 1916, pp. 233) again returns to the advisability of placing local assessment under the supervision of county assessors as a substitute for local town assessors. There is a summary of laws of other states relating to abatements, rebates, and refunds. A map on page 57 shows the average assessed value of farm land per acre.

The Tax Commissioner of Massachusetts has published *Instructions to Assessors* (Boston, 1917, pp. 45) in accordance with a law passed in 1916. The purpose of this is to secure uniform assessment of real estate and tangible personal property.

The New York State Tax Department has prepared a *Review of Local Assessments, 1916* (Albany, vol. 1, no. 5, Nov., 1916, pp. 66). It deals largely with equalization.

The State Tax Board of Virginia has published two bulletins: *The Effect of Segregation in Virginia* (Richmond, Sept. 14, 1916, pp. 8); and *The Taxation of Intangibles in Virginia* (Nov. 11, 1916, pp. 13). These are issued in the form of instructions to local officials.

The Tax Commissioner of Massachusetts in Bulletin No. 1 summarizes the *Requirements of the Massachusetts Tax Law* (Boston, 1916, pp. 39), giving detailed explanations in regard to the provisions of the new income tax law.

Various banks have recently published pamphlets dealing with the new tax laws, among which may be noted: by the Bankers Trust Company, *The Federal Income Tax Law*; (pp. 46) and by the Guaranty Trust Company of New York, *The Federal Estate Tax Law and Regulations (Inheritance Tax)* (pp. 35); *The Transfer Tax Law of the State of New York as Amended in 1916* (pp. 47); and *The Secured Debts Tax Law and Mortgage Tax Law of the State of New York* (pp. 56).

Students of municipal finances are advised to note the reports of the Comptroller of the City of New York in the series known as *Financial Summary* appearing monthly and quarterly. The tables in these reports "follow the plan of progressing from generalities to particulars; from a comprehensive view of the total amount and general scope and purpose of the City's receipts and payments to a significant classification of each prime element." This series dates from the beginning of 1913.

Insurance and Pensions

A new annual edition has been published by the Insurance Department of the State of New York of *Fees and Taxes Charged New York*

Insurance Companies by the Insurance Departments of Other States for 1917 (Albany, 1916, pp. 52).

The Industrial Commission of Wisconsin has prepared a bulletin on *Workmen's Compensation Insurance* (Madison, August, 1916, pp. 33). This contains a discussion of compensation cost, management expenses, insurance rates, and losses, with statistical tables.

The Board of Compensation Commissioners of Connecticut has issued a volume entitled *Compendium of Awards of the Compensation Commissioners for the years 1914 and 1915 and for the Months of January to May Inclusive of 1916* with the decisions of the Connecticut courts of appeal (pp. 732).

The *Fifth Annual Report of the Industrial Insurance Department of Washington* deals with the workmen's compensation act (Olympia, 1916, pp. 175). A full discussion is given of the operation of the system since its establishment in 1911.

The address by Walter G. Cowles, vice president of the Travelers Insurance Company, delivered before the Insurance Society of New York, October 17, 1916, on *The New York Standard Compensation Policy Forms* has been reprinted by the Travelers Insurance Company of Hartford (pp. 21).

A committee of investigation of the Province of British Columbia has published a report on *Workmen's Compensation Laws* (Victoria, Mar. 1, 1916, pp. 21). This committee visited the states of Washington, Oregon, California, Wisconsin, Ohio, New York, and Massachusetts, and the provinces of Ontario and Nova Scotia. Hearings were held in fourteen cities. Its recommendations are presented in concise and clear form. The evidence is also published in four volumes.

The Bureau of Statistics of Massachusetts has made a *Report of a Special Inquiry Relative to Aged and Dependent Persons in Massachusetts, 1915* (Boston, Dec. 15, 1916, pp. 107). This study may serve as a statistical basis for any proposed legislation for old age insurance. It is noted that this is the third inquiry on old age pensions which has been made in Massachusetts since 1907. The report was prepared under the immediate supervision of Mr. Roswell F. Phelps, of the Bureau. Appendix C contains a bibliography on old-age pensions, 1912-1916; and another appendix gives a description of systems in foreign countries.

The following pamphlets deal with health insurance: *The Need for Health Insurance*, by Irving Fisher (reprinted from the *American Labor Legislation Review*, vol. VII, no. 1, 1917, pp. 16); *Health In-*

insurance Standards and Tentative Draft of an Act Submitted by the Committee on Social Insurance of the American Association for Labor Legislation (third edition, May, 1916, pp. 32); *Dangerous Tendencies in the American Social Insurance Movement*, by P. T. Sherman, an address delivered before the Insurance Society of New York, November 21, 1916 (pp. 14). Of allied interest are *Health of Garment Workers; the Relation of Economic Status of Health*, by B. S. Warren and Edgar Sydenstricker, published by the United States Public Health Service (Washington, Reprint No. 341, 1916, pp. 10); *A Sickness Survey of North Carolina*, by L. K. Frankel and L. I. Dublin (Washington, United States Public Health Service, Reprint No. 367, 1916, pp. 27); *A Sickness Survey of Boston, Massachusetts*, by L. K. Frankel and L. I. Dublin (New York Metropolitan Life Insurance Company, 1916, pp. 23).

Demography

The Bureau of the Census has made *Estimates of the Population of the United States* as of July 1, 1915, January 1, 1916, July 1, 1916, and January 1, 1917.

The paper by Lee K. Frankel, of the Metropolitan Life Insurance Company, entitled *A Study of Mortality Statistics of Southern Communities*, read before the Southern Sociological Congress of New Orleans, April 12, 1916, has been reprinted as a pamphlet (pp. 15). This is a useful summary of the surveys which have been made during the past few years of the health conditions in the southern cities. Based upon such surveys, the author presents data to indicate the effects which health campaigns have had upon mortality in that section of the United States. Tables are prepared derived from the reports of the Bureau of the Census and also the experience of the Metropolitan Life Insurance Company, with comparisons for the white and colored population.

The federal Bureau of the Census has issued the following reports: *Cotton Production and Distribution, 1915-1916* (Bull. 134, 1916, pp. 99); *Rice Cleaning and Polishing. Census of Manufacturers: 1914* (1916, pp. 9); *Financial Statistics of States, 1915* (1916, pp. 125); *Mortality Statistics, 1914* (1916, pp. 714).

Federal Public Documents

FEDERAL DOCUMENTS AND THE REVISION OF THE PRINTING LAWS. The economists of this country probably make more use of the publications of the federal government than any other single group of

readers. They will, therefore, have a special interest in the proposal now before Congress to revise and codify the printing laws, embodied in the printing bills (Senate bill 1107 and House bill 8664).¹ These two bills are practically identical and closely follow the provisions of the printing bills introduced in the preceding Congress. The particular interest of each economist in these bills relates to the provisions they make for placing copies of official publications where he may consult them. This need is, of course, best met by a system of prompt distribution of a complete file of the important documents to the libraries of the institution with which he is connected or in some library available to the public generally. Up to the present time this has been attempted by making one library in each congressional district a "depository" library—that is, a library in which public documents are regularly deposited free of charge on condition that the public is allowed free reference use of the volumes. There are now about 500 of these depositories. They include the libraries of most of the larger colleges and universities, and usually it is to these libraries that the economist must refer in order to consult this material.

When the plan of depository libraries was adopted, it was apparently the intention of Congress that each should keep on its shelves a complete file of federal publications; and at first practically everything printed for the government was sent to each depository in the form of a "collected set" of documents. This file usually contained not only the documents printed for the special use of Congress but also those printed by the executive departments for the information of Congress. From the Fifteenth Congress, this "collected" or "congressional" set of documents has consisted of four series: Senate reports, House reports, Senate documents, House documents. At the time the system of depository libraries was inaugurated, the publications of the federal government consisted of about one hundred items annually; and apparently it was assumed that there would be no difficulty in having the depositories keep for their readers complete files of these records of the operations of the national government. In recent years interest in these publications has increased and some complaints have arisen because the work of arranging and binding the documents in sets, with document numbers, volume, and serial numbers affixed, delayed the dis-

¹ In the hope of effecting some of the economies of these bills, the Printing Committee of the Senate introduced, on January 10, a brief bill (Senate bill 7795) containing some of the more important provisions of the larger bills. This bill has been passed by the Senate, but it is doubtful if there will be time to pass it in the House during the present session.

tribution of the sets to libraries until some months after the close of each session of Congress. To make the information available as soon as possible, the plan was adopted of a preliminary distribution; that is, upon the publication of an annual report, such as that of the Secretary of the Treasury, unbound copies without document numbers—the so-called plain-title or departmental edition—were immediately sent to the depositories. Later on, the same volume would be given its House document number and made part of the collected set. There would thus be two editions of the same publication sent to the libraries. In some cases the same publication would appear in more than two editions. This duplication of editions of course has caused the libraries considerable labor and some confusion in the listing, cataloguing, and indexing of the documents.

At the present time the number of congressional documents and reports amount to about 2,000 annually. In the two years of the Sixty-third Congress (April 7, 1913-March 3, 1915) this number was 5,309, and the “collected” or “congressional” set was bound up into 352 volumes. In addition to these 352 volumes, there were a large number of departmental publications not included in the set. The present situation is, therefore, that libraries and institutions receiving federal publications must expect to handle this large volume of printed matter, part of which is in the form of the collected set (with volume and document numbers attached) and part of which is in the departmental or plain-title editions.

To simplify this situation, the representatives of the libraries and others have recommended the plan of publishing one edition only of each document and by preference publishing only the edition without any document number. In response to these appeals, Congress, in 1907, directed that all annual and serial publications originating in the executive departments should not be included in the numbered document series of Congress, even though the publication were one specifically ordered to be printed by either house. The plan was in operation for less than one year, and proved to be unsatisfactory to those connected with the work of Congress. In January, 1908, Congress directed that the document numbers should be replaced on the annual and serial publications which are required by law to be submitted to Congress but provided that the depository libraries should receive these publications only in the plain-title editions, without document number. Thus the congressional set for the first session of the Sixty-fourth Congress (December 6, 1915-September 8, 1916)

consists of 3 volumes of Senate reports, all distributed to the depositories; 4 volumes of House reports, all distributed; 44 volumes of Senate documents, all except volume 2 distributed; 149 volumes of House documents, only the following being distributed to the depositories: volumes 3-4, 17, 21-26, 29, 39-40, 85-87, 122, 126, 137-149. The numbers omitted had been distributed in the plain-title or departmental editions, so that only 30 out of the 149 volumes of uniformly bound House documents have been sent to the libraries; if a library desires to make up a complete set to continue its former files, the departmental editions must be inserted in the missing spaces.

Obviously the arrangement is an unsatisfactory compromise. Expressed in its simplest terms the problem amounts to this: The congressional set is a convenient form of preserving the reports and documents needed by a legislative body—in fact practically all the important countries of the world have adopted a form similar to this for the use of their parliamentary bodies. The difficulty arises when this piece of legislative apparatus is presented to libraries whose needs call for an entirely different arrangement of this material.

In the work of a large legislative body, such as the Congress, it is of considerable importance to have an identifying mark on each publication in addition to the title of the document. Many of the titles closely resemble each other—in some cases recent documents have had the exact title of earlier documents; many of the titles are misleading and apparently have no connection with the subject-matter of the report; the names of the authors (*i.e.*, bureaus or departments) change frequently; several departments have had bureaus with identical names (such as the old bureaus of statistics in at least three departments); sometimes two or more departments will issue reports on the same subject. In the next place, it is important to Congress to have all the reports, submitted to it at each session, published in one document set; these reports from the executive departments are prepared for the use of Congress, which has by law required their presentation; and at the present time they number between 400 and 500 annually. In the hurry of a legislative session, with over 500 members of the two houses to be supplied with this material, these points probably have much greater weight to the officials of Congress than they have outside of the city of Washington. On the other hand, the need of those engaged in research work is for a file of documents arranged by subject; and in order to enable the libraries to do their work efficiently in meeting this need, the publications should, as far as possible, be printed in

a form which will enable the libraries to arrange the volumes in this manner. It is also a help to the libraries to have but one edition of each publication.

The printing bills now before Congress provide that when a document is once printed it shall always retain that form, and even if ordered reprinted by either house the original titles must be kept. It specifies, however, that reports required to be made to Congress by law shall be issued as numbered documents, and the reprints of these must retain the document number. This will eliminate from the congressional set such publications as the Geological Survey bulletins, monographs, Ethnology bulletins, Pan-American Union bulletins, and the like, which of course are not usually required by Congress in the enactment of legislation.

This solution of the problem will not be satisfactory to those who have urged the abolition of the congressional set as the only logical way to settle the problem. The bill provides, however, that the Joint Committee on Printing of the two houses shall have charge of the binding of documents for the depository libraries. As this committee and its officials have always taken a sympathetic attitude towards the wishes of the libraries, their needs will undoubtedly be given careful consideration in making up the sets for libraries. In particular, the recommendation of the Superintendent of Documents that the volume numbers be omitted from the sets, and that the actual title of the volume be made the principle title with the document number as a secondary title, will undoubtedly be taken up soon after the bill is enacted.

One feature of the bill which will be of assistance to economists is the so-called valuation plan of distribution of documents to members of Congress. The existing printing laws provide that each member shall receive a small number of every document published, with the result that the member from a city district is given the same number of agricultural publications, which he cannot use, as the member from a farming district, while the latter is given a number of publications which he does not need, but which would be of use to the city member. The proposed valuation plan provides each member of the House with a book credit of \$1,800 and each Senator with a similar credit of \$2,200 annually. On demand, the Superintendent of Documents must supply each member with available publications up to the values just named. This will make it possible for a library, or for any one interested, to apply to a member of Congress for copies of publications; and, instead of being limited to one or two copies of important documents as at present, the member will be in a position to furnish a number of copies

of important items from his account. The plan will also enable a library to secure additional copies of documents for seminar or other reference collections, while the instructor will find it more easy to obtain copies for personal use.

In order to show clearly the present status of the congressional set of public documents, a list is appended which indicates the form in which the documents of the first session of the Sixty-fourth Congress will be distributed.

HENRY J. HARRIS.

Library of Congress, Washington, D. C.

SENATE REPORTS

Serial Number

Vols. 1-3—Nos. 1-871 (with exceptions): Miscellaneous 6897-6899

Vols. A-C—Nos. 8-869 (with exceptions): Reports on private bills, etc. 6900-6902

HOUSE REPORTS

Vols. 1-3—Nos. 4-1201 (with exceptions): Miscellaneous 6903-6905

Vol. 4—No. 284, 2 pts.: Revision of laws, common carriers and antitrust, report and proposed bill. 6906

Vols. A-D—Nos. 1-1194 (with exceptions): Reports on private bills, etc. 6907-6910

The lettered volumes contain only the reports on private bills and joint resolutions and on simple resolutions. Under the provision of the act of January 20, 1905, the "usual number" of such reports could not be printed. These private reports are bound in volumes lettered A to C for Senate reports and A to D for House reports. These cannot be furnished to depository libraries, but copies will be kept in the Senate and House libraries, the Library of Congress, and the library of the Office of the Superintendent of Documents. Volumes 1-3 of the Senate and volumes 1-4 of the House, which will be furnished as usual, contain all the reports on public bills and joint resolutions ordered printed during the session.

SENATE DOCUMENTS¹

Vol. 1—No. 1: Report of secretary of Senate, July 1, 1914-June 30, 1915 6911

Vol. 2—No. 2: Report of Government Printing Office, 1915 6912

Vol. 3—No. 3: Navy yearbook, 1883-1916. 6913

Vol. 4—No. 21: Laws of 3d Philippine legislature, 3d session, with certain laws enacted by Phillippine Commission 6914

Vols. 5-6—No. 247: Fiscal relations between United States and District of Columbia, report of Joint Select Committee, with hearings 6915-6916

¹ Volume 2 is omitted from the sets supplied to libraries.

Vol. 7—No. 268: Aeronautics, 1st annual report of National Advisory Committee for Aeronautics, Mar. 3-June 30, 1915	6917
Vols. 8-10—No. 316: Electric power development in United States, pts. 1-3	6918-6920
Vol. 11—No. 355: Index-digest of act of Oct. 15, 1914 (Clayton act) and of act approved May 15, 1916 (Kern amendment)	6912
Vol. 12—No. 362: Central heating, lighting, and power plant	6922
Vol. 13—No. 379: Military policy of United States, 4th impression	6923
Vol. 14—No. 392: 18th report of National Society of Daughters of American Revolution, Oct. 11, 1914-Oct. 11, 1915	6924
Vol. 15—No. 404: Railway land grants in Iowa.....	6925
Vols. 16-17—No. 409: Nomination of Louis D. Brandeis, hearings, vols. 1-2	6926-6927
Vol. 18—No. 412: National-bank act as amended, Federal reserve act, and other laws relating to national banks..	6928
Vols. 19-29—No. 415: Industrial relations, final report and testimony submitted to Congress by Commission on Industrial Relations, vols. 1-11	6929-6939
Vol. 30—No. 461: Louisville & Nashville Railroad Co., hearings before Interstate Commerce Commission....	6940
Vol. 31—No. 493: Railroad labor arbitrations	6941
Vol. 32—No. 500: Federal farm loan act	6942
Vols. 33-34—No. 529: Laws of 3d Philippine legislature, 4th and special sessions, with certain laws enacted by Philippine Commission, vols. 1-2	6943-6944
Vol. 35—No. 547: Public land statutes of United States	6945
Vol. 36—No. 549: Threatened strike of railway employees, hearing	6946
Vol. 37—No. 551: Fertilizer industry.....	6947
Vol. 38—No. 553: Appropriations, new offices, etc.	6948
Vol. 39—No. 322: Water-power development bill, comparative print showing H. R. 408 as passed by House and as reported by Senate Committee on Public Lands, with S. 3331 as reported by Committee on Commerce..	6949
No. 444: Rural credits bill, comparative print showing S. 2986 as passed by Senate and as passed by House.	
No. 531: To increase revenue, comparative print showing H. R. 16763 as reported to Senate, and present law	
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